

Unaudited Interim Consolidated Financial Statements of

## WELLPOINT SYSTEMS INC.

Three and six months ended June 30, 2009 and 2008

## NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited consolidated financial statements for the three and six months ended June 30, 2009 and 2008.

# WELLPOINT SYSTEMS INC.

Consolidated Balance Sheets (Unaudited)

(in thousands of dollars)

	June 30 2009	December 31 2008
<b>Assets</b>		
Current assets:		
Cash	\$ 1,029	\$ 406
Accounts receivable	2,851	3,532
Prepaid expenses	889	746
	<u>4,769</u>	<u>4,684</u>
Property and equipment	1,004	1,106
Deferred development costs	1,801	2,119
Intangible assets	13,415	15,384
Goodwill	23,338	24,442
Future income taxes (note 4)	588	132
	<u>\$44,915</u>	<u>\$47,867</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,175	\$ 5,718
Current income tax liability	-	106
Deferred revenue	2,696	4,876
Other deferred credits	55	55
Note payable	55	-
Current portion of long term notes payable	94	99
Current portion of capital lease obligations	46	46
Convertible debentures	2,765	1,358
	<u>10,886</u>	<u>12,258</u>
Long term notes payable	5,723	6,005
Capital lease obligations	32	58
Other deferred credits	50	77
Convertible debentures	25,665	26,476
	<u>42,356</u>	<u>44,874</u>
Shareholders' equity:		
Share capital (note 5)	14,497	14,497
Contributed surplus (note 5)	1,687	1,624
Convertible debentures (note 5)	8,996	8,996
Accumulated other comprehensive income (note 6)	2,218	3,744
Deficit	(24,839)	(25,868)
	<u>(22,621)</u>	<u>(22,124)</u>
Total shareholders' equity	2,559	2,993
Basis of presentation (note 1)		
	<u>\$ 44,915</u>	<u>\$ 47,867</u>

See accompanying notes to consolidated financial statements.

Approved by the Board:

"Charles V. Selby" Director  
"Richard Slack" Director

# WELLPOINT SYSTEMS INC.

Consolidated Statements of Operations and Retained Earnings (deficit) (unaudited)

(in thousands of dollars, except per share amounts)

	Three months ended		Six months ended	
	June 30		June 30	
	2009	2008	2009	2008
Revenue (note 7):				
License	\$ 3,157	\$ 3,012	\$ 6,559	\$ 5,972
Maintenance	2,661	2,335	5,781	4,698
Professional services	2,916	4,922	6,777	9,119
	8,734	10,269	19,117	19,789
Direct costs	2,547	4,216	5,871	8,343
Gross margin	6,187	6,053	13,246	11,446
Expenses:				
Sales, general and administrative	2,434	4,185	5,073	7,459
Interest	1,469	931	2,918	1,862
Research and development	1,381	1,081	2,857	2,106
Depreciation and amortization	859	1,144	1,744	2,294
Facilities	388	461	764	898
Financing and amortization of debt and note payable issue costs	63	161	144	254
Foreign exchange loss (gain)	(1,635)	(246)	(828)	300
Fees and expenses on settlement of long term note payable	-	-	-	614
	4,959	7,717	12,672	15,787
Net income (loss) before income taxes	1,228	(1,664)	574	(4,341)
Income taxes (note 4)				
Current expense	-	134	-	134
Future expense (reduction)	(331)	593	(456)	221
	(331)	727	(456)	355
Net income (loss)	1,559	(2,391)	1,030	(4,696)
Deficit, beginning of period	(26,398)	(6,172)	(25,869)	(3,867)
Deficit, end of period	\$ (24,839)	\$ (8,563)	\$ (24,839)	\$ (8,563)
Net income (loss) per share				
Basic and diluted (note 5(d))	\$ 0.03	\$ (0.05)	\$ 0.02	\$ (0.10)

See accompanying notes to unaudited consolidated financial statements.

# WELLPOINT SYSTEMS INC.

Consolidated Statements of Comprehensive Income (Loss) (unaudited)

(in thousands of dollars)

	Three months ended		Six months ended	
	June 30		June 30	
	2009	2008	2009	2008
Net income (loss)	\$ 1,559	\$ (2,391)	\$ 1,030	\$ (4,696)
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operations	(2,850)	-	(1,526)	(39)
Comprehensive loss	\$ (1,291)	\$ (2,391)	\$ (496)	\$ (4,735)

See accompanying notes to unaudited consolidated financial statements.

# WELLPOINT SYSTEMS INC.

Consolidated Statements of Cash Flows (unaudited)

(in thousands of dollars)

	Three months ended		Six months ended	
	June 30		June 30	
	2009	2008	2009	2008
Cash provided from (used in):				
Operations:				
Net income (loss)	\$ 1,559	\$ (2,391)	\$ 1,030	\$ (4,696)
Items not affecting cash:				
Accretion of interest on convertible debt	635	266	1,323	364
Amortization of debt issuance costs	87	160	168	254
Fees and expenses on settlement of long term note payable	-	-	-	615
Rent inducement	(13)	(14)	(27)	(27)
Depreciation and amortization	859	1,144	1,744	2,294
Future income taxes	(331)	593	(456)	221
Interest on settlement of long term note payable	-	-	-	414
Unrealized foreign exchange gain (loss)	(1,470)	(228)	(762)	388
Stock-based compensation	42	19	63	52
	1,368	(451)	3,083	(121)
Net change in non-cash working capital items (note 8)	(1,779)	725	(2,291)	31
	(411)	274	792	(90)
Financing:				
Bank indebtedness	-	1,675	-	1,986
Settlement of long term notes payable	-	(854)	-	(17,072)
Issuance of convertible debentures, net of cash costs	-	(37)	-	17,889
Redemption of convertible debentures	-	-	-	(410)
Repayment of principal on long term note payable	(22)	-	(47)	-
Repayment of principal on capital lease obligation	(18)	-	(26)	-
Debt issue costs	21	-	(31)	-
Issuance of note payable	55	-	55	-
	36	783	(49)	2,393
Investing:				
Deferred development costs	-	(957)	-	(2,083)
Purchases of property and equipment	(37)	(105)	(109)	(206)
	(37)	(1,062)	(109)	(2,289)
Effect of foreign exchange rate changes on cash and cash equivalents	(21)	4	(11)	(14)
Change in cash and cash equivalents	(433)	-	623	-
Cash and cash equivalents, beginning of period	1,462	-	406	-
Cash and cash equivalents, end of period	\$ 1,029	\$ -	\$ 1,029	\$ -

See accompanying notes to unaudited consolidated financial statements.

# WELLPOINT SYSTEMS INC.

## Notes to Consolidated Financial Statements

For the three and six months ended June 30, 2009 and 2008

(Tabular amounts stated in thousands of dollars, except share and per share amounts)

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### 1. Basis of presentation:

These unaudited consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for interim financial statements and are based on accounting policies and practices consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2008 except as noted in Note 2. The disclosures herein are incremental to those included with the annual audited consolidated financial statements. These interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2008.

During 2008 the Company experienced a \$27.7 million net loss and was in violation of its debt covenants for most of the year. The Company also has a working capital deficiency of \$6.1 million at June 30, 2009. This working capital deficiency includes \$2.7 million of deferred revenue and other credits that will not require a cash outlay.

As a result of these conditions, on December 30, 2008 the Company issued additional debt and renegotiated its covenants with its lenders. The Company also made significant changes to its management team including a new CEO. The new management team has been focused on creating efficiencies and controlling costs. At the end of 2008 the Company reduced ongoing recurring operating expenses by approximately \$4.0 million on an annualized basis. On February 1, 2009 the company introduced a wage rollback program that is anticipated to save approximately \$200,000 per month. The Company anticipates that with new cost structure and financing in place it will be able to meet its continuing obligations and does not anticipate any further covenant violations.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. This assumes that the Company will continue in operation for the foreseeable future and accordingly will be able to realize its assets and discharge its liabilities in the normal course of operations. The accompanying consolidated financial statements do not include any adjustments that might be necessary should the Company be unable to continue future operations.

### 2. Change in accounting policy:

Effective January 1, 2009, the Company adopted Section 3064, Goodwill and Intangible Assets. This section will replace Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. This new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.

# WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 2

For the three and six months ended June 30, 2009 and 2008  
(Tabular amounts stated in thousands of dollars, except share and per share amounts)

### 3. Bank indebtedness:

The Company has access to a bank operating credit facility of US \$2.5 million. As at June 30, 2009 the Company had not utilized any of this available credit and had CAD \$1.4 million available. The credit facility is payable on demand and bears interest at bank prime rate plus 3% and is secured against good standing accounts receivable and by a general security agreement covering the majority of the assets of the Company and its subsidiaries.

### 4. Income taxes:

Future income tax expense differs from the result that would be obtained by applying the combined statutory corporate income tax rate to income before income taxes. The reasons for the difference are as follows:

	2009	2008
Loss before income taxes	\$ 574	\$ (4,341)
Statutory income tax rate	29%	29.5%
Computed recovery	166	(1,280)
Non deductible expenses	13	190
Tax rate differences	(126)	77
Other	23	-
Change in valuation allowance	(532)	1,369
	\$ (456)	\$ 355

The Company operates in various tax jurisdictions and, accordingly, the Company's income is subject to varying rates of tax. Losses incurred in one jurisdiction cannot be used to offset income taxes payable in another. The Company's ability to use income tax losses and future income tax deductions is dependent upon the profitable operations of the Company in the tax jurisdictions in which such losses or deductions arise. As at June 30, 2009, the Company had total future tax assets of \$587,902 (December 31, 2008 - \$131,656).

In assessing the valuation of future income tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences are deductible. Management considers the scheduled reversals of future income tax liabilities, the character of the income tax assets, and tax planning strategies in making this assessment. To the extent that management believes that the realization of the future income tax assets does not meet the more likely than not realization criterion, a valuation allowance is recorded against the future tax.

# WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 3

For the three and six months ended June 30, 2009 and 2008  
(Tabular amounts stated in thousands of dollars, except share and per share amounts)

## 5. Share capital:

### a) Common shares:

The authorized share capital of the Company consists of an unlimited number of common shares and unlimited number of preferred shares, issuable in series. The issued share capital of the Company is as follows:

	Number of common shares	Amount
Balance, December 31, 2008	45,890,562	\$ 14,497
Issued on private placement, for loans receivable from management	5,414,416	541
Less share-purchase loans receivable from management	-	(541)
Balance, June 30, 2009	51,304,978	\$ 14,497

### (b) Stock options:

The Company has a stock option plan for employees, directors and consultants. At June 30, 2009, a total of 10,200,000 (3,700,000 at December 31, 2008) shares were reserved for issuance under this plan. This plan was approved by the TSX Venture Exchange and is subject to final approval by the shareholders of the Company at the next annual general meeting. Options granted vest up to three years.

The following tables summarize information regarding stock options:

	2009 Number of options outstanding	2009 Weighted average exercise price
Balance, Beginning of period	1,688,541	\$0.40
Granted	3,982,389	0.10
Expired	(475,205)	0.43
Balance, End of period	5,195,725	\$ 0.17

# WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 4

For the three and six months ended June 30, 2009 and 2008  
(Tabular amounts stated in thousands of dollars, except share and per share amounts)

Exercise price	Number of options outstanding	Weighted Average remaining contractual life (years)	Number of options exercisable
\$ 0.10	3,982,389	4.8	-
0.23	50,000	0.4	50,000
0.29	250,000	4.0	-
0.32	200,000	3.9	66,667
0.35	33,336	0.8	33,336
0.36	150,000	3.8	50,000
0.44	430,000	3.1	143,333
0.60	100,000	0.1	100,000
	5,195,725	4.3	443,336

Stock-based compensation expense for the six months ended June 30, 2009 was \$62,885 (2008 - \$52,390). This expense was calculated using the Black-Scholes option pricing model with the following assumptions: weighted average risk-free interest rate of 2.07% (2008 - 3.85%), expected life of five years and volatility of 91% - 239% (2008 - 100%).

(d) Per share amounts:

The weighted average number of common shares outstanding for the three months ended June 30, 2009 was 48.3 million (2008 - 46.1 million) and for the six months ended June 30, 2009 was 47.1 million (2008 - 46.1 million). The diluted number of shares for the three months ended June 30, 2009 was 48.3 million (2008 - 46.5 million) and for the six months ended June 30, 2009 was 47.1 million (2008 - 46.5 million) reflecting the dilutive effect of the exercise of options outstanding, warrants and convertible debt.

(e) Contributed surplus:

Contributed surplus represents the cost of the stock-based compensation payments relating to the compensation expense for stock options granted to employees, directors and consultants and the equity component of matured debentures.

The following tables summarize information regarding contributed surplus:

	2009
Balance, Beginning of period	\$ 1,624
Stock option expense	63
Balance, End of period	\$ 1,687

# WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 5

For the three and six months ended June 30, 2009 and 2008

(Tabular amounts stated in thousands of dollars, except share and per share amounts)

(f) Convertible debentures:

	2009
Balance, December 31, 2008 and June 30, 2009	\$ 8,996

6. Accumulated other comprehensive income:

	Amount
Balance, December 31, 2008	\$ 3,744
Unrealized gain on translating financial statements of self-sustaining foreign operations	(1,526)
Balance, June 30, 2009	\$ 2,218

7. Segmented information:

The Company conducts all of its business in one operating segment; software solutions and services.

Revenue by geographical region:

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
United States	\$ 5,100	\$ 6,706	\$ 11,229	\$ 12,964
Canada	1,658	2,347	3,507	4,254
Central and South America	122	579	495	1,300
Other International	1,854	637	3,886	1,271
	\$ 8,734	\$ 10,269	\$ 19,117	\$ 19,789

One customer accounted for 13% of revenue in the six month period ended June 30, 2009 (2008- none). No customer accounted for more than 10% of the Company's accounts receivable balance as at June 30, 2009 or December 31, 2008.

# WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 6

For the three and six months ended June 30, 2009 and 2008

(Tabular amounts stated in thousands of dollars, except share and per share amounts)

## 8. Supplemental cash flow information:

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Taxes paid	\$ 3	\$103	\$ 105	\$ 273
Interest paid	\$ 591	\$180	\$ 1,029	\$ 1,889
Changes in non-cash working capital components:				
Accounts receivable	\$ 1,036	\$ 140	\$ 681	\$ 938
Prepaid expenses	76	263	(143)	(1,213)
Accounts payable and accrued liabilities	(915)	273	(649)	117
Deferred revenue	(1,976)	49	(2,180)	189
	\$ (1,779)	\$ 725	\$ (2,291)	\$ 31

## 9. Related parties:

One director of the Company is on the Board and is the Managing Director of the Quorum Group of Companies ("Quorum") who manages investment funds which have provided financing to the Company. The Company has signed a definitive agreement with Quorum MENA Limited ("QMENA") for the purchase of USD\$2.0 million worth of the Company's back office oil and gas solutions for sales to independent oil companies, and national oil companies within the Middle East, North Africa and India. Under the agreement, QMENA has obtained exclusive rights to sell the Company's products in those regions. In 2009 QMENA purchased US\$2 million of the Company's products.

## 10. Comparative figures:

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.